HPHA FY 2009 Budget
June 19, 2008

HPHA FY 2009 Budget
Background, Assumptions, Objectives, and Turnaround Plan
June 19, 2009

A. Background to the FY 2009 budget:

- The HPHA Board approved an agency-wide budget on November 15, 2007 with a projected deficit of $10.4M, to be made up by increasing revenue, decreasing costs and by asking the legislature for an appropriation.

- During FY 2008 HPHA increased income and decreased costs by a total of $7.3M; instead of $10.4M HPHA requested and received only $3.1M from the 2008 legislature.

- HPHA public housing expenses have exceeded income by $21 million for the last three years:
  - $8.3M FY 2006 (audited)
  - $10.3M FY 2007 (audited)
  - $ 3.1M FY 2008 (projected)

- HPHA's public housing reserves now total $4M, a bare minimum to operate.

- HPHA's trend of losses is unsustainable.

- Without a turnaround in financial performance HPHA's 6,200 housing units may need to be sold to nonprofits or privatized, as the City of Honolulu is doing.

- To comply with asset management and reduce costs, HPHA's consultant recommended 84 staff layoffs out of 297 (1/4) based on
  - 1 AMP (Asset Management Project) administrative staff to 75 units
  - 1 AMP maintenance staff to 50 units
  - Limited Central Office Cost Center (COCC) funding

- HPHA had no general ledger for FY 2007 and the first six months of FY 2008.

B. Assumptions made in the preparation of the FY 2009 budget:

1. A general ledger will be in use for FY 2009. The HPHA general ledger was started in January 2008 and is nearing completion.

2. HUD's Federal operating subsidy is based upon a 16% pro-ration rate for calendar year 2008; HPHA will only receive 84% of what it needs from HUD. HPHA assumes it will receive the 84% rate for the calendar year 2009.

3. The difference between HUD frozen rent formula income and current rent is included in the revenue projection. To realize the projected rent HPHA needs to collect at least what it did in FY 2007.

4. Federal capital funds will be transferred to the operating fund to cover a portion of the pro-ration factor and funding shortfalls.

5. Required State salary increases of 4% (and step movements where applicable) and fringe benefit rate of 40.6% are included.

6. Direct charges to the AMPs for applications, legal, hearing officers and construction oversight are included.

7. Charges for services for centralized maintenance are included.

8. State properties will be charged a management fee for the COCC, based upon the federal management fee rate.

9. The budget submitted is a cash flow budget. It does not include depreciation expenses.

10. Charges for insurance costs were received from the state risk management office. The 2008 charges were overstated because they included costs for properties belonging to HHFDC, for which HPHA billed HHFDC.

11. Budgeting is a continuous and regular process of planning, executing and evaluating the financial status of programs.

C. In preparing the 2009 budget we have the following objectives:

1. Make all HPHA staff knowledgeable about the financial constraints and opportunities in the budget.

2. Treat staff as valuable assets to be developed, not costs to be cut.

3. Align staff and positions to reflect the duties required for HPHA to move forward in providing affordable housing to the State of Hawaii.

4. Reduce staffing as necessary through attrition; current staffing is now 282 instead of 297 several months ago.

5. Establish a Central Office Cost Center (COCC) as required by HUD regulations.

6. Identify each AMP (Asset Management Project) and COCC program cost and plan for the program to become self sufficient.

7. Hold branch managers and property managers to a set of performance goals which includes the budget.

8. Increase income by fixing, filling vacant units, collecting rent and implementing business systems recommended by St. Paul Housing Authority.

9. Decrease costs by becoming more productive and efficient.

D. HPHA Turnaround plan:

For FY 2009, during the next 12 months

1. Reassign ~35 COCC positions to serve AMPS.

2. Reassign ~20 AMP positions.

3. Create special teams to address vacant units, rent collection based on St. Paul Housing Authority business systems.
    - Statewide 550 Vacant Unit Turnaround Teams (estimated 18 positions)
        - Oahu
        - Neighbor Islands
        - Coordinate with contractors, volunteers, AMP staff
    - Oahu Exterior Maintenance Team (estimated 12 positions)
    - Statewide Unit Inspection Team (estimated 5 positions)
    - Oahu Applications Processing Team (estimated 11 positions)
    - Statewide Rent Collection (and bad debt write off) Team (estimated 5 positions)
    - Statewide Work Order Coordination Team (estimated 4 positions)

4. Have AMPs responsible for new vacant units and work orders.

5. Close the public housing waitlist for a minimum of 12 months to concentrate application staff efforts on filling vacant units rather than processing new applicants which have little chance of being called over the next year.

6. Process transfers only where medically necessary or where income to the AMPs will be increased. Add reasonable charges such as for minimum rents, late payments, bounced checks, repair rates for tenant-caused damages, excess utility charges, and other charges that place appropriate responsibilities on renters to be part of the solution.

7. Ask Legislature to remedy structural underfunding of 288 state family units and 576 state elderly units by providing base operating and utility subsidies that mirror HUD operating and utility subsidies.

8. Provide training to managers, supervisors, and staff.

E. FY 2009 Budget Goals and Performance Targets:

Additions to the budget can be achieved as follows:	
95 percent occupancy for all AMPs	= $300,000
95 percent rental collection for all AMPs	= $600,000
95 percent one-time writeoffs of vacated bad debts	= $1,700,000
Payment in Lieu of Taxes (Pilot) adjustment	= $400,000
State Family Legislative operating & utility subsidy	= $1,100,000
State Elderly Legislative operating & utility subsidy	= $1,800,000
	$5,900,000
Estimated budget deficit	($4,220,000)
Effect of achieving budget goals and performance targets on budget	$1,680,000

HPHA FY 2009 Projected Agency Budget

Program		Budget	Cashflow
Federal Low Rent Program			
	Rental/Other Income	18,729,075	
	State R & M	3,433,996	
	Federal Subsidy	19,524,209	
	Expenses	43,225,192	($1,537,913)
State Family Program			
	Rental Income	794,109	
	State R & M	243,393	
	State Subsidy	0	
	Expenses	2,645,898	($1,608,397)
State Elderly Program			
	Rental Income	1,872,437	
	State R & M	103,430	
	State Subsidy	0	
	Expenses	2,511,359	($535,492)
Section 8 Housing Choice Voucher			
	Other Income		
	Federal	22,504,247	
	Expenses	22,789,542	($285,295)
Section 8 Project Based Program			
	Other Income		
	Federal	19,577,307	
	Expenses	19,460,275	$117,032
State Rent Supplement			
	Other Income		
	State	1,185,540	
	Expenses	1,245,295	($59,755)
Homeless Programs			
	State/Federal Sources	23,031,965	
	Expenses	22,878,117	$153,848
Central Office Cost Center (Administration)			
	Fee Income	5,794,733	
	Expenses	6,260,548	($465,816)
Capital Program			
	Federal Contribution	23,325,709	
	State Contribution	31,950,536	
	Projects	55,276,245	$0
Total Shortfall			($4,221,787)

State of Hawaii
Department of Human Services
Hawaii Public Housing Authority
Financial Operations Summary - Federal Low Rent Program,
Single Family Housing Program, and Elderly Housing Program
Fiscal Years 2004 through 2009

	2009 **	2008 **	Audit 2007 *	Audit 2006 *	Audit 2005 *	Audit 2004 *
Rental Income	19,457,560	18,554,755	18,343,559	16,395,760	15,568,626	15,884,499
Operating Subsidy	16,947,154	16,003,836	10,642,544	13,424,541	20,379,898	10,751,136
State Repair & Maint Fund	3,824,869	4,500,000	-	-	-	-
State Security	1,891,717	1,500,000	-	-	-	-
Federal Capital Transfer	2,577,055	3,000,000	-	-	-	-
Other Income	2,294	791,048	2,031,296	734,970	768,139	651,331
Total Revenue	44,700,649	44,349,639	31,017,399	30,555,271	36,716,663	27,286,966
Project (a)	11,778,234	8,403,168	6,980,784	6,960,997	7,688,007	5,209,581
Personal Services (b)	11,176,695	14,933,408	14,284,809	13,697,371	12,371,553	11,873,298
Administrative Expenses (c)	3,825,310	2,239,200	3,596,722	4,071,824	2,096,381	2,675,726
Professional Services (d)	683,102	759,000	703,857	337,630	250,331	291,419
Security (e)	2,097,188	1,801,271	1,718,776	1,579,942	2,115,911	662,281
Insurance (f)	836,436	1,100,000	974,370	202,905	359,988	284,675
Repair & Maintenance (g)	1,299,795	5,250,000	2,379,306	1,917,696	1,819,670	2,181,553
Utilities (h)	10,714,667	10,866,729	10,071,390	9,190,784	7,216,019	7,337,739
Payment Lieu of Taxes (i)	566,997	575,000	500,000	574,114	730,443	813,252
Other expense (j)	5,404,025	405,000	98,488	358,590	540,543	380,193
Total Expenses	48,382,449	46,332,776	41,308,502	38,891,853	35,188,846	31,709,717
Excess (Deficit)	(3,681,800)	(1,983,137)	(10,291,103)	(8,336,582)	1,527,817	(4,422,751)

Notes: See page 2

Notes for page 1
* From audited financial statements
** Projected estimates

State of Hawaii
Department of Human Services
Hawaii Public Housing Authority
Financial Operations Summary - Federal Low Rent Program,
Single Family Housing Program, and Elderly Housing Program
Fiscal Years 2004 through 2009

(a) Project Expenses
Private Property Management
Project Materials & Supplies
Minor Repair & Maintenance Contracts
Refuse Collection
(b) Personal services
Payroll
Employee benefits
(c) Administration Expenses
Staff training
Travel
Sundry
Telephone
Postage Charges
Collection Losses/Expenses
Machine Rental/Leasing
Office Supplies
Computer Wide Area Network Exp
Other Office Expenses
(d) Professional Services
Legal Fees
Accounting & Auditors
Consultants
(e) Security
Security Contracts
(f) Insurance
Risk Management Reimbursement
(g) Repairs and Maintenance
Equipment Rental
Janitorial Services
Vehicle & Equipment Repairs
Major Repair & Maintenance contracts
(h) Utilities
Sewer & Water
Electricity
Gas
(i) Payment in Lieu of Taxes
Payments to counties in lieu of propety taxes as required by HUD
(j) Other Expenses
Interest Expenses
New Equipment Purchases

State of Hawaii
Department of Human Services
Hawaii Public Housing Authority
Financial Operations - Federal Low Rent Program
Fiscal Years 2004 through 2009

	2009 **	2008 **	Audit 2007 *	Audit 2006 *	Audit 2005 *	Audit 2004 *
Rental Income	16,793,308	15,815,879	15,764,210	13,841,036	13,127,474	13,531,582
Operating Subsidy	16,947,154	16,003,836	10,642,544	13,424,541	20,379,898	10,751,136
State Repair & Maint Fund	3,478,046	3,666,219	-	-	-	-
State Security	1,891,717	1,500,000				
Federal Capital Transfer	2,577,055	3,000,000	-	-	-	-
Other income	-	671,048	1,955,827	624,755	662,089	561,113
Total Revenue	41,687,280	40,656,982	28,362,581	27,890,332	34,169,461	24,843,831
Project	10,509,844	8,403,168	6,980,784	6,960,997	7,688,007	5,209,581
Personal Services	10,514,798	13,543,908	12,990,632	12,522,104	11,230,180	10,801,148
Administrative Expenses	3,354,208	1,947,500	3,392,846	3,858,313	1,854,775	2,447,535
Professional Services	583,017	629,000	681,949	270,018	197,153	258,069
Security	2,097,188	1,801,271	1,718,776	1,578,846	2,114,860	661,230
Insurance	690,144	951,800	838,323	177,237	333,930	262,232
Repair and Maintenance	1,031,256	3,326,000	1,304,439	1,047,508	1,150,309	1,569,667
Utilities	9,309,184	9,549,683	9,002,323	8,064,168	6,232,801	6,429,131
Payment in Lieu of Taxes	566,997	575,000	500,000	574,114	730,443	813,252
Other expense	4,568,557	300,000		250,211	335,231	289,499
Total Expenses	43,225,193	41,027,330	37,410,072	35,303,516	31,867,689	28,741,344
Total Excess (Deficit)	(1,537,913)	(370,348)	(9,047,491)	(7,413,184)	2,301,772	(3,897,513)

* From audited financial statements
** Projected estimates

06/19/08

State of Hawaii
Department of Human Services
Hawaii Public Housing Authority
Financial Operations - Single Family Housing Program
Fiscal Years 2004 through 2009

	2009 **	2008 **	Audit 2007 *	Audit 2006 *	Audit 2005 *	Audit 2004 *
Rental Income	791,815	899,255	849,941	853,238	813,979	783,635
Operating Subsidy	-	-	-	-	-	-
State Repair & Maint Fund	243,393	439,690	-	-	-	-
State Security	-	-				
Federal Capital Transfer	-	-	-	-	-	-
Other income	2,294	33,648		38,724	38,743	42,968
Total Revenue	1,037,502	1,372,593	849,941	891,962	852,722	826,603
Project	260,207					
Personal Services	661,897	1,080,000	1,035,135	838,195	802,481	753,813
Administrative Expenses	208,797	150,000	126,812	74,639	82,932	65,692
Professional Services	36,828	90,000	21,908	48,666	38,004	28,674
Security	-	-		520	440	429
Insurance	39,442	51,100	136,047	9,180	8,785	6,250
Repair and Maintenance	200,000	655,300	97,252	201,405	174,173	155,508
Utilities	534,635	438,800	387,532	432,089	385,173	354,562
Payment in Lieu of Taxes	-		-	-	-	-
Other expense	704,091	5,000	(7,603)	94,388	180,574	47,193
Total Expenses	2,645,897	2,470,200	1,797,083	1,699,082	1,672,562	1,412,121
Total Excess (Deficit)	(1,608,395)	(1,097,607)	(947,142)	(807,120)	(819,840)	(585,518)

* From audited financial statements
** Projected estimates
*** There are no reserves in the Single Family Housing Revolving Fund.

State of Hawaii
Department of Human Services
Hawaii Public Housing Authority
Financial Operations - Elderly Housing Program
Fiscal Years 2004 through 2009

	2009 **	2008 **	Audit 2007 *	Audit 2006 *	Audit 2005 *	Audit 2004 *
Rental Income	1,872,437	1,839,621	1,729,408	1,701,486	1,627,173	1,569,282
Operating Subsidy	-	-	-	-	-	-
State Repair & Maint Fund	103,430	394,091	-	-	-	-
State Security	-	-				
Federal Capital Transfer	-	-	-	-	-	-
Other income	-	86,352	75,469	71,491	67,307	47,250
Total Revenue	1,975,867	2,320,064	1,804,877	1,772,977	1,694,480	1,616,532
Project	1,008,183	-	-	-	-	-
Personal Services	-	309,500	259,042	337,072	338,892	318,337
Administrative Expenses	262,305	141,700	77,064	138,872	158,674	162,499
Professional Services	63,257	40,000		18,946	15,174	4,676
Security	-	-		576	611	622
Insurance	106,850	97,100		16,488	17,273	16,193
Repair and Maintenance	68,539	1,268,700	977,615	668,783	495,188	456,378
Utilities	870,848	878,246	681,535	694,527	598,045	554,046
Payment in Lieu of Taxes	-		-	-	-	-
Other expense	131,377	100,000	106,091	13,991	24,738	43,501
Total Expenses	2,511,359	2,835,246	2,101,347	1,889,255	1,648,595	1,556,252
Excess (Deficit)	(535,492)	(515,182)	(296,470)	(116,278)	45,885	60,280

* From audited financial statements
** Projected estimates

I. Background

Under 24 CFR 990, the U.S. Department of Housing and Urban Development established a new model of financial and operational management for public housing agencies nationwide. Known as Asset Management, the new model requires public housing agencies to organize and operate in a manner that is in the best interests of the asset management projects (AMPs). Additionally, the purpose of asset management was to realign public sector housing to more closely mirror private sector housing and bring about improved delivery of services to the residents of the public housing program.

A. Requirement for Project-Based Budgeting and Accounting

24 CFR 990 requires that public housing agencies (PHAs) of 250 or more housing units convert to project-based budgeting and accounting. The PIH Notice 2005-34, issued November 2, 2005, required that, for PHAs with fiscal years beginning July 1, the initial compliance year is the PHA fiscal year July 1, 2007 – June 30, 2008. The Hawaii Public Housing Authority's fiscal year began July 1, 2007.

B. Requirement for Creation of Cost Centers

24 CFR 990 mandates the creation of "cost centers" for the operation of the public housing program and the central office. Individual or several public housing sites may be grouped as an Asset Management Project (AMP). The PHA may have one or more AMPs, depending on how it groups its individual sites.

The HPHA now has 16 AMPs. These AMPs were formerly referred to as "Management Units" or "MUs" and are now commonly referred to as "Projects".

Under Asset Management, the central office is also considered a cost center. It is known as the Central Office Cost Center (COCC) and it provides administrative support, direct services, and general oversight to the public housing program and its projects, as well as for other housing and related programs. The HPHA's COCC provides support for the following programs:

- Public Housing (Federal and State)
- Section 8 Rental Assistance
- Rental Subsidy Program
- Homeless Program

II. Creation of the Budget and Assumptions Used

In late March 2008, the HPHA staff began the difficult task of preparing an agency-wide budget for approval by its Board of Directors. The process started with each Program Branch/Section and AMP Manager preparing and submitting a proposed budget to the Asset Management Transition Team.

The budgets were reviewed by 2 subcommittees (AMP Budget Subcommittee and COCC Budget Subcommittee) to determine whether all costs were allowable and allocable. Over a 3 week period, the subcommittees met with each Branch Chief or Manager individually to discuss revenues and expenses listed on their proposed budgets. After adjustments were made, the AMP Budget Subcommittee combined all of the individual budgets into one HPHA-wide budget as discussed herein.

The HPHA also received valuable assistance from the U.S. Department of Housing and Urban Development's Office of Public Housing, consultants from MDStrumm, and Jon Gutzman, Executive Director of the St. Paul Housing Authority in the preparation of the budget and the budget assumptions.

A. Budget Assumptions

In order to prepare the budgets and make appropriate adjustments, each budget was prepared and reviewed using the budget assumptions listed below.

Central Office Cost Center

1. In order to comply with the intent of the Asset Management model, all housing programs are charged reasonable management, IT and bookkeeping fees by the COCC. HUD has already applied the Asset Management requirement for management fees to the Section 8 program.

2. All programs were required to submit a budget using the federal budget form as the basic budget form. By using the new budget form for all programs, HPHA will be able to report, track, monitor and evaluate financial activity on an agency-wide and program-wide basis.

3. Under Asset Management, HPHA needs to decide what services and functions will continue to be centralized. In general, Asset Management favors the decentralization of certain services (e.g., maintenance services).

4. Services that remain centralized but primarily serve the AMP can be provided on a fee-for-service or direct charge basis. HPHA needs to establish a schedule of fees to charge the AMPs for services. HPHA will transition in the use of fees-for-service over the next fiscal year.

5. Unlike in previous years, all programs need to budget for their share of administrative

and operating costs, such as utilities, audit fees, accounting services, and computer support.

Federal Low Income Public Housing Program/AMP Budgets

1. HUD will provide operating subsidy for PHA's at an estimated prorated rate of 84% of the total eligible subsidy. In order to make up for the loss of operating subsidy, HUD allows PHA's to take up to 20% of its Capital Funds and transfer it to the AMPs as operating revenues. HPHA transferred the full 20% ($2,577,055) to the AMPs for their use.

2. To offset the use of the 2004 Frozen rent (which would have understated revenues), the AMP Budget Subcommittee included a line item to provide for the difference between the 2004 frozen rent and the 2007 actual rent revenue. By including this differential in the revenues, the AMP budget is able to reflect average rents more closely equated to rents being collected today. It should be noted that the AMP Manager must make efforts to ensure that rent revenues do not drop below 2007 actual rents collected.

   It should be noted that the gross potential rent reflects current rents collected, rather that projecting what the total rent roll for FY 2008-2009 will be. By projecting the gross potential rent using current rents collected, the budget understates the total rent roll **and** therefore did not include a separate projection of uncollectible rents.

3. The AMP Budget subcommittee used staffing ratios listed below in order to allow the AMPs to transition to Asset Management over a reasonable amount of time. Also using these ratios would overstate expenses if necessary.
   1:75 Administrative Staff to number of housing units.
   1:35 Maintenance Staff to number of housing units.
   The long term goal is for maintenance staff to serve 50 housing units.

   Any overages in staffing will be addressed through attrition, reassignment, or a freeze on vacant positions. Some noted exceptions included deputy manager and manager positions that are or may become vacant.

4. If AMP Managers intend to use the $25/PUM Resident Participation add-on, for salaries, adjustments need to be made to the BLI 92100 and BLI 92300. Then an equal amount of adjustment needs to be made in BLI 91100 and 91500. Managers will need to be responsible for ensuring that resident associations expend the resident participation funds for eligible expenses.

5. Bad Debt Expense includes all vacated TARs and non-vacated TARs over 90 days. Since the non-vacated TARs were not previously expensed, HPHA needs to account for those in the coming fiscal year. In order to remove the vacated TARs from the bad debt expenses, AMPs were instructed to complete the write offs by June 30, 2008 in order to remove the expense from their budget. (During the last 2 months, over

$300,000 in bad debt expense was written off by the AMPs, with assistance from the Compliance Office.)

6. All salaries were projected based on current actual salaries plus the union-negotiated wage increase of 4%, applicable step movements and fringe benefits at 40.66%. 19-hour tenant aides are considered part time workers and are not entitled to the fringe benefits.

7. Every AMP was provided additional operating revenue from the Capital Fund (CFP) and the State Repair and Maintenance Funds (R&M). Allocations of State R&M were made based on projected expenditures provided by the AMPs for eligible maintenance expenses.

   Allocations of CFP were made based on initially on number of units, then reduced for bad debt expense, occupancy, and overstaffing. The rationale used was that AMPs could improve their net cash flow by addressing their operations/budgets in those three areas. AMPs on the neighbor island were given special consideration in the allocation of CFP funds due to their higher operating costs. AMP 32 (Mayor Wright Homes) and AMP 40 (Kuhio Homes-Park Terrace) were also given special consideration due to HPHA's failure to obtain HOPE IV grants to conduct major modernization in previous years. The CFP projects were included in the AMP budgets in compliance with HUD's budget instructions.
   Costs for capital improvements using State CIP funds were included in the AMP budgets for consistency. (If accounting standards require the removal of the capital projects from the operating budget, the HPHA will adjust the budgets accordingly. None of the changes to the capital fund projects will affect the operating expenditures or net cash flow.

8. The budget submitted and to be approved by the HPHA Board of Directors is a cash flow budget. The budget does not include depreciation expense.

9. Charges for insurance costs are provided by the State's Risk Management Office.

10. Budgeting is a regular process of planning, executing and evaluating the financial status of a program. To that end, the Property Management Branch will be responsible for coordinating monthly meetings with each of the AMP Managers, Budget staff, Procurement Office, and the Construction Management Section to track and evaluate performance of the AMPs.

III. Central Office Cost Center Budget

The term "central office cost center" (COCC) is used to describe the business unit within the HPHA that earns income from fees or revenue from other business activity. Under Asset Management, the COCC is likened to a private real estate company with different sources of business revenue.

The current operating budget for the HPHA's COCC Budget for the Fiscal Year ending June 30, 2008 shows projected expenditures of $7,327,302 and projected revenues of $5,71,221, for a projected deficit of ($1,456,081).

The proposed operating budget for the COCC the fiscal year **July 1, 2008 to June 30, 2009** shows projected expenditures of $6,261,048 and projected revenues of $5,794,733 for a shortfall of ($466,316).

The new HUD rules restrict funding to the COCC to the reasonable management and other fees and direct service charges. Deficits in COCC operation may not be covered by excess income of the Projects. Nor may the HPHA charge other programs (i.e., Section 8, other federal grants) more that what is "reasonable" for support.

REVENUE AVAILABLE TO THE COCC

Source	Basis	Amount
Management Fee	Federal Properties $48.74 per unit, less management fees paid to private management companies	$1,882,612
Information Technology Fee	$2 per total ACC unit	$128,712
Bookkeeping Fee	$7.50 per unit	$439,103
Asset Management Fee	$4 per total ACC unit	$257,424
Section 8 Administration Fee	20% of Administrative Fee	$373,288
Section 8 Bookkeeping Fee	$7.50 per voucher (1,733 vouchers)	$155,970
Section 8 Legal Fees		$10,000
Capital Fund Administration Fee	10% of Administrative Fee	$1,200,000
Homeless Program Administration Fee	Estimated	$320,000
State Housing Program Administration Fee	State Family $48.74 per unit ($155,578) State Elderly Private Mgmt Contract ($169,755)	$325,333
Other – State Family Bookkeeping Fee & IT Fee	$7.50 per unit (288 units) $26,280 $2.00 per unit (288 units) $7,008	$32,832
Other-State Elderly Bookkeeping Fee & IT Fee	$7.50 per unit (576 units) $51,840 $2.00 per unit (576 units) $13,824	$65,664
Other-State Housing Legal Fees	State Elderly ($47,862) State Family ($24,231)	$72,093
Other-PBCA Administration Fee		$300,000
Other Rent Supplement Administration Fee	20% of Rent Supplement	$49,320
Other-Charges for Legal Fees		$181,926
TOTAL		**$5,794,733**

Over the course of the FY 2008-2009, the COCC will use the following budget plan to help reduce costs.

A. **COCC Restructuring.** The COCC will need to be "right-sized" based on the transfer of responsibility and accountability to the AMPs, to recognize funding constraints under asset management, and to conform to the new system of funding centralized functions as mandated by HUD. The proposed restructuring of the COCC must address the structural weaknesses and functional challenges of the COCC. The proposed restructuring of the

COCC must bring staffing levels more in line with current and anticipated cost constraints.

B. **Fee Structure**. The COCC must establish a schedule of fees and correctly charge fees-for-service or assess direct charges to the AMPs and other housing programs. By using the fee schedule and applying it correctly, the HPHA will know the true costs of operating the AMPs and the COCC. Additionally, all costs for offices that directly service the AMPs should be charged to the AMP (e.g., Hearings Office, Applications Office, Central Maintenance Services).

C. **Control Expenses**. The COCC must reasonably evaluate expenditures on a case-by-case basis to responsibly determine the need and cost-benefit of incurring the expense. For example:
   1. Each office must submit a plan to reduce travel costs through combined visits, by securing competitive rates (including flying on different airlines or at different times) and by determining what activities can be tasked to the AMPs, consultants, or other appropriate parties.
   2. The COCC must reconfigure its offices to get the best and highest use out of its facilities and to reduce utility costs for partially vacant buildings. The combining of offices will also reduce the need for maintenance and leasing costs on office machines (e.g., copiers, fax machines).

D. **Self-Sustaining Programs**. The Executive Director must establish and implement a system to evaluate the financial impact of a new or continuing housing program. For example, may new programs are unable to cover its administrative costs and often times Programs fail to consider "back office" costs when establishing new programs. The COCC must ensure responsible planning and improved communication between offices.

E. **Competitive Procurements**. The COCC must plan its procurements and obtain the best value for the HPHA. The use of procurement exemptions, waivers and non-competitive procurements should be used only minimally. The COCC must make genuine efforts to complete pre-purchase cost estimates and post-bid cost analyses.

F. **Assessing the Portfolio**. The COCC must assess whether its inventory of housing must be restructured and embark on long-term planning for the repair, maintenance, and possibly liquidation of assets.

III. Asset Management Program

A. Central Office Cost Center

In recognition that many of the Central Office functions directly affect the revenues and expenses at the AMP level, the COCC must complete the following tasks:

1. The COCC must assess the project expense level (PEL) at targeted sites to determine whether it is appropriate to request a higher PEL from the U.S. Department of

Housing and Urban Development. Initial review indicates that AMPs on the neighbor islands may suffer from higher costs and rising fuel prices and an inadequate PEL.

2. The COCC must establish and maintain a list of all major systems at the AMPs and implement a preventative maintenance plan. The COCC shall also be responsible for securing the funds for such activity and procuring the appropriate services.

3. The COCC must utilize the physical needs assessment in the budgeting, planning and implementing of repairs and modernization activities.

4. The COCC must complete/update the schedule of maintenance rates used by the AMPs to charge tenants for tenant-caused damages. All AMPs must then regularly enforce and apply maintenance charges when appropriate.

5. The COCC must complete the study of utility rates and calculate the utility rates by AMP so that the AMPs can start to charge tenants for excess utilities (at sites where HPHA is paying for utilities). All AMPs must then regularly charge tenants for excess utilities where appropriate.

6. The COCC must determine where blanket contracts can be used for maintenance supplies and services. The execution of task order and requirements contracts will help reduce the time needed to procure services by the AMPs. All AMPs must then plan their maintenance repair schedules and plan their purchases to take advantage of the cost efficiencies gained through the requirements contracts.

7. The COCC must implement training for AMP staff. Training must be appropriate and accessible to all AMP staff affected by changes under Asset Management. All AMPs must then utilize the training and implement any changes required under Asset Management.

8. The COCC must establish performance outcomes for the HPHA, clearly communicate its expectations to all levels of staff, and evaluate performance on a fair and consistent basis.

9. The COCC must provide updated activity and financial reports on a timely basis. The COCC must ensure that all housing programs are provided with the technical support needed to generate such reports if appropriate. All AMPs must use the activity and financial reports as management tools to evaluate performance and determine corrective actions.

10. The COCC must provide training on procurement to all AMP staff who will have delegated purchasing authority. Under Asset Management, the AMP Managers will be delegated authority to execute budgeted purchased up to $5,000.

11. The COCC must ensure the adoption of statutory and policy changes that will help HPHA effectively implement asset management. For example, the COCC must draft

legislation to shorten the time it takes to write off a bad debt for the State Family and State Elderly Housing Programs.

B. Asset Management Project Budgets (Federal Low Income Public Housing Program)

Rental/Other Income	18,729,075
State R&M	3,433,996
Federal Subsidy	19,524,209
Total Operating Expenditures	43,225,192
Net Cash Flow:	**($1,537,913)**
Capital Expenditures:	$46,578,509

1. Net Cash Flow: The budget for the LIPH is showing a **negative cash** flow of $1,537,913 largely due to the infusion of funds from the following:

State Repair & Maintenance Funds	$3,433,996
State Appropriation for Security	$2,097,188

   In FY 2009-2010, the HPHA is not likely to receive the same level of State funding for R&M and for security services. The LIPH is cautioned to control expenses to establish a greater operating reserve for future fiscal years.

2. Administrative Staff:
   In preparing the budget, the HPHA staff used a 1:75 ratio to determine the appropriate number of FTE administrative staff at each AMP.

   AMPS will not be allowed to fill its vacant administrative positions, with the exception of the Deputy Manager or Manager. Any positions vacated through retirement or separation in service shall not be filled until AMP has "right-sized". Any recommendations to hire will be reviewed on a case-by-case basis.

3. Maintenance Staff
   In preparing the budget, the HPHA staff used a ratio of 1:35 to determine the appropriate number of FTE maintenance staff.

   Some AMP maintenance personnel will need to be reassigned to centralized maintenance work teams. The centralized work teams will focus on vacant unit turnaround and exterior facility repairs. Any positions vacated through retirement or separation in service may be filled on a case-by-case basis or centralized maintenance personnel may transfer back from the work teams to an AMP.

4. Rent Collection: The goal is to collect >95 % for all AMPs. The estimated increase in rent revenue by increasing rent collection to 95% is $600,000.

5. Occupied Units: The goal is to occupy >=95% of all available housing units for all AMPs. The estimated increase in rent revenue at 95% is $300,000.

6. Bad Debt: The goal is to write off 95 percent of the vacated bad debt one-time. The estimated total of the 95 percent one-time write off is $1,700,00.

7. Other Budget Goals and Performance Targets:

Payment in Lieu of Taxes (Pilot) adjustment	$400,000
State Family Legislative operating & utility subsidy	$1,100,000
State Elderly Legislative operating & utility subsidy	$1,800,000

8. Evictions: AMPs must continue to utilize existing procedures to move tenants in arrears to eviction on a timely basis.

9. Control utilities. AMPs must work with the COCC to implement a plan to charge tenants for excess utilities.

10. Purchasing: AMPs must ensure that it is seeking competitive prices for maintenance materials and that purchases are planned to maximize cost and staff efficiencies.

11. Capital Projects: AMPs must ensure regular communication with the COCC regarding its construction schedule to minimize the loss of rent revenue from units being scheduled for modernization and those being completed. Timing with the completion of units and the placement of applicants must be reduced to 1-2 days.

12. Equipment/Appliances: AMPs must ensure that the purchase of new equipment and appliances are warranted. The COCC will work with the AMPs to determine whether any portion of the appliance purchases can be addressed under the impending Energy Performance Contract.

IV. State Family Housing Program

Projected Rental Income	794,109
State R&M	243,393
State Subsidy	0
Expenses	2,645,898
Net Cash Flow	($1,608,397)

Net Cash Flow: The budget for the State Family Housing Program is showing a **negative cash flow** of ($1,608,397). The State Family Housing Program does not receive operating subsidy from the State. The HPHA proposes requesting operating subsidy from the State Legislature for operating and utility costs ($1,100,000).

The remaining deficit will be addressed through increased occupancy and rent collection. The HPHA will also explore the following changes to the State Family Housing Program:

a. Increase rent
b. Charges for late fees and bounced checks
c. Charges for tenant caused damages
d. Charges for excess utilities

V. State Elderly Program

Projected Rental Income	1,872,437
State R&M	103,430
State Subsidy	0
Expenses	2,511,359
Net Cash Flow	($535,492)

Net Cash Flow: The budget for the State Elderly Program is showing a **negative cash flow** of ($535,492). The State Elderly Program does not receive operating subsidy from the State. The HPHA proposes requesting operating subsidy from the State Legislature for operating and utility costs ($1,800,000).

The deficit will also be addressed through increased occupancy and rent collection. The HPHA will also explore the following changes to the State Elderly Housing Program:

a. Increase rent
b. Charges for late fees and bounced checks
c. Charges for tenant caused damages
d. Charges for excess utilities

VI. Section 8 Subsidy Program

Section 8 Housing Choice Voucher Program	
Federal Allocation	22,504,247
Expenses	22,789,524
Net Cash Flow	($285,295)
Section 8 Project Based Program	
Federal Allocation	19,577,307
Expenses	19,460,275
Net Cash Flow	$117,032

Over the course of the FY 2008-2009, the Section 8 Subsidy Programs (S8 Program) must implement the following:

1. The S8 Program must ensure 100% budget utilization.
2. The S8 Program must establish performance measures for staff, establish clear written procedures, implement training, and conduct regular evaluations.
3. Any new S8 Programs must be evaluated to determine the financial impact of the program. All new programs should be self-sustaining and account for the administrative costs of acquiring new vouchers.

VII. Homeless Programs

State/Federal Sources	23,031,965
Expenses	22,878,117
Net Cash Flow	$153,848

Over the course of the FY 2008-2009, the Homeless Programs must implement the following:

1. The Homeless Programs must prepare and execute an advanced procurement plan. The vast majority of State and Federal homeless funds are provided for contracted services. To that end, the HPHA must ensure that services are planned and procured to ensure responsible contracting and to avoid the lapsing of funds.
2. Any new program must be evaluated to determine the financial impact of the program. All new programs should be self-sustaining and account for the administrative costs that accompany the administration of a new program.